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SUBJECT: NIGERIA: CODEL WATTS AND BIZDEL DISCUSS INVESTMENT CLIMATE WITH PRESIDENT OBASANJO

1. Summary: Ambassador Jeter accompanied Codel Watts, AUSTR Whitaker and executives from Phillips Petroleum, Syntroleum, Proctor and Gamble and Qualcomm to breakfast with President Obasanjo. Pointing to the need for foreign investment in non-oil sectors, the President encouraged the U.S. companies present to invest in solid minerals, telecommunications, information technology, agricultural processing, and manufacturing. Obasanjo was extremely engaged throughout the meeting, asking questions regarding AGOA and supporting resolution on P&G's advocacy requests. Following the breakfast, Nigeria's President met with the entire business delegation. End Summary.

2. On August 30, Congressmen J.C. Watts (R-Oklahoma), John Lewis (D-Georgia), William Jefferson (D-Louisiana) and Eva Clayton (D-North Carolina) joined President Obasanjo for breakfast at his residence. Ambassador Howard Jeter, AUSTR Whitaker and visiting executives from Phillips, Syntroleum, Proctor and Gamble and Qualcomm executives accompanied the congressional delegation. EconOff attended as notetaker.

3. Obasanjo welcomed the U.S visitors and thanked them for traveling to Nigeria at an "auspicious time" for foreign investment, as Nigeria "moves away from the ills of the past." The GON was in the process of reconstituting both Nigeria's human and physical capital infrastructure, he said. However, Nigeria was "not only looking inward, but outward." Obasanjo expressed the need for Nigeria to engage foreign investors outside the oil and gas sector -- in telecommunications, information technology, manufacturing and the exploitation of solid minerals. Employing all the right buzzwords, Nigeria's President stated that the Nigerian market needs more "purchasing power" in order to be more active in the world economy.

4. Congressman Watts thanked the President for returning early from China to host the delegation. The Congressman explained that he was pleased to have fulfilled the promise made during his May visit to Abuja that he would return with potential U.S. investors. In order to fulfill his commitment, Watts said, he had brought together the "Trade Aid Coalition," comprised of U.S. companies with an interest in promoting trade between the United States and Africa. The purpose of the Coalition would be to enhance trade with, and economic growth in, Africa.

5. Looking around the room inquiringly, the President noted that no serious U.S. construction companies were now active in Nigeria. Ambassador Jeter responded that, while no U.S. construction companies had entered the Nigerian market, U.S. companies were attempting to enter other non-oil sector markets. The Ambassador specifically pointed to a U.S. telecommunications company (read Motorola) that had unsuccessfully attempted to enter the market for supplying GSM equipment.

6. Philippe Bovay of Proctor and Gamble noted his company's interest in investing USD 30 million in a new manufacturing facility in Ibadan. Bovay commented that he was currently working with the Federal Ministry of Industries to resolve the problems of high tariffs on P&G's manufacturing inputs and on one P&G product -- Ariel detergent. The President became immediately engaged, began discussing the particulars of the proposed investment and said, &I want resolution on this issue.8 Bovay explained that P&G had asked for a tariff reduction from 30 to zero percent on the manufacturing equipment and inputs for its proposed facility. Although the GON had agreed to reduce these tariffs to 10 percent, P&G would still like the tariffs reduced to zero. P&G had also requested lower tariffs on its high-quality detergent, Ariel, which it would like to manufacture at the new facility. Bovay said that P&G had sent a letter asking for resolution on this issue in July to the Minister of Industries, but had not yet received a response. Obasanjo commented that he had received a similar letter from Proctor and Gamble and reiterated that he would like resolution on this issue as soon as possible.

17. The President then turned to the need to resolve the remaining issues for Nigeria's compliance with the textile visa requirements under the Africa Growth and Opportunity Act (AGOA). Ambassador Jeter noted that Nigeria was very close to completing the AGOA requirements. The Ambassador commented on the benefits that AGOA could provide within the textile manufacturing sector and asked AUSTR Rosa Whitaker to explain further. Whitaker cited Lesotho, a small land-locked African nation, as an excellent example: Lesotho had attracted over USD 100 million of investment in its textile industry in the past several months because of AGOA. Whitaker agreed that Nigeria was very close to fulfilling the textile visa requirements, explaining that the one unresolved issue involved the penalties applied to illegal transshipment of goods. Currently, Whitaker said, Nigeria's customs code only imposed a duty of one-half of the value of the goods) not a sufficient deterrent. She noted that the countries that have successfully met AGOA's requirements were imposing a penalty of at least three times the value of the goods. The President reiterated his desire to reach resolution on these issues and said that once a bill revising the customs code was drafted, he would personally take it to the National Assembly and see that it was enacted.

18. Henry McGee of Phillips Petroleum introduced himself and said that his company expected to sign the LNG proposal with NNPC as early as the week of September 3. (NOTE. The MOU was signed on September 5. END NOTE.) Seemingly familiar with the project, President Obasanjo asked whether Phillips would be able to complete the project by 2005. McGee replied that the target date was late 2006/early 2007. However, if all project phases proceed smoothly, Phillips could possibly shave six to nine months off that time and complete the project by early 2006. President Obasanjo appeared pleased with this news.

19. Larry Weick of Syntroleum then took the opportunity to introduce his company as a prospective investor. He explained that his company could assist Nigeria in three areas: to reduce gas flaring, to increase electricity production as a byproduct of flared gas, and to more effectively use Nigeria's natural resources through the production of clear diesel fuel. He described Syntroleum's Gas-to-Liquid (GTL) process as one that uses air and, therefore, was safer than other GTL processes. President Obasanjo held up the small clear vial of Syntroleum's diesel and appeared amazed at how clean the fuel looked. Obasanjo asked whether the fuel would be targeted for export. Weick replied that the diesel could be for both domestic utilization and for export to markets in the U.S. and Europe. Obasanjo inquired what quantity of electricity could be produced from such a project. Weick responded that it would be dependent upon the location of the projects, adding that the NNPC was choosing possible sites based on the need for electricity. Obasanjo asked how expensive the clear diesel process was compared with normal diesel refining. Weick replied that Syntroleum's diesel fuel was competitive with world oil prices of \$18-\$20 per barrel. Seemingly pleased by these answers, Obasanjo commented that OPEC was trying to maintain prices at roughly \$27/barrel, which would make this venture worthwhile.

10. After breakfast, President Obasanjo led the group to his Council chambers where the remaining members of the business delegation were present. At this larger meeting, which Vice President Atitku Abubakar also attended, President Obasanjo again welcomed the Congressional and trade delegations to Nigeria and noted the need for Nigeria to institute changes on the inside while the international community helped Nigeria from the outside. He identified the sectors in Nigeria that might most attract foreign investment: infrastructure, where he said rehabilitation was already underway; agriculture ("ready for modernization"); solid minerals, such as aluminum, lead, and zinc; and oil and gas, "although more gas than oil," he said. The President explained that the GON was working hard to take advantage of the benefits offered by AGOA. He said he wanted to take all steps necessary to make Nigeria internationally competitive. The President asked that those present not hesitate to let him know, directly or through the U.S. Ambassador, what Nigeria needed to do to attract foreign investment.

11. Because Congressman Watt,s was indisposed at this time, Ambassador Jeter offered remarks on his behalf. The Ambassador said that, during his visit in May, Congressman Watts had promised to return to Nigeria with a trade delegation. With this trip in August, Watts had fulfilled that commitment. The Ambassador commented that there was nothing else he would rather see than an increase in U.S. investment in Nigeria. He admitted that there were peculiarities to the Nigerian market that had to be overcome. However, the U.S.) Nigeria strategic relationship must include a greater commercial relationship with an emphasis on

developing the non-oil sectors of the economy.

¶12. President Obasanjo then opened the floor to comments or questions from the 30-plus business representatives. One U.S. businessman asked about the legal and regulatory issues surrounding the privatization of the national telecommunications company, NITEL. Obasanjo commented that the GON had ensured that the future of Nigeria's telecommunications market would be driven by the private sector; three of the four GSM licenses were granted to private companies with one reserved for NITEL. The President referred the legal and regulatory question to Vice President Abubakar in his role as Chairman of the National Council on Privatization. Abubakar explained that the GON had already received expressions of interest in NITEL from eleven international telecommunications companies. Meanwhile, the National Council on Privatization had forwarded to the National Assembly a draft bill to strengthen the regulatory authority of the Nigerian Communications Commission. Once NITEL had been privatized, the Vice President explained, a second carrier would be licensed to establish strong competition in the domestic telecommunication market.

¶13. Comment. Having just returned from China at 4:00am that morning, President Obasanjo surprisingly remained highly engaged throughout the meetings. He was well versed in the issues raised by the U.S. companies present at the breakfast and expressed strong interest in seeing these issues resolved. The high level of access granted to visitors and Mission officers is consistent and demonstrates the emphasis that the Obasanjo Administration places on increasing bilateral trade and investment with the United States. Post was very pleased to host the U.S. business delegation in Abuja. The wide-ranging interests of participants made it difficult to effectively "match-make" them with Nigerian businessmen and GON officials, however. A tighter focus on a few specific sectors, such as those identified by the President -- agriculture/processing, solid minerals, telecommunications and infrastructure -- would make future trade delegations even more effective tools for strengthening bilateral economic relations. End Comment.

¶14. This cable was not cleared with the CODEL.
Andrews